

**STATE BOARD OF ACCOUNTS  
302 West Washington Street  
Room E418  
INDIANAPOLIS, INDIANA 46204-2769**

SPECIAL COMPLIANCE REPORT  
OF  
INDIANA VETERANS' AFFAIRS COMMISSION  
AND  
INDIANA DEPARTMENT OF VETERANS' AFFAIRS  
STATE OF INDIANA  
April 1, 2015 to June 30, 2018



**FILED**  
04/23/2019



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Results and Comments:	
Background.....	4-5
Internal Controls over TANF Expenditures.....	5-6
Questioned Costs .....	6-7
Counseling Services .....	7-8
Employment/Training Services .....	8-9
Salaries and Administrative Services.....	9
Total Questioned Costs.....	9-10
Official Response .....	11
Exit Conference.....	12

## SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chairperson of the Indiana Veterans' Affairs Commission	Richard Jewel Erika Steuterman	07-01-14 to 06-30-17 07-01-17 to 06-30-19
Director of the Indiana Department of Veterans' Affairs	James Brown Matthew Vincent (interim) Dennis Wimer	01-09-17 to 12-28-18 12-29-18 to 01-27-19 01-28-19 to 01-10-21



# STATE OF INDIANA

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TO: THE OFFICIALS OF THE INDIANA VETERANS' AFFAIRS COMMISSION  
AND INDIANA DEPARTMENT OF VETERANS' AFFAIRS

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Indiana Veterans' Affairs Commission and Indiana Department of Veterans' Affairs (IDVA), for the period of April 1, 2015 to June 30, 2018, to determine compliance with terms and conditions of Temporary Assistance for Needy Families funding as provided for in a Memorandum of Understanding between the Indiana Family and Social Services Administration and the IDVA.

The Results and Comments contained herein describe the identified reportable instances of non-compliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Results and Comments, incorporated within this report, was not verified for accuracy.

*Paul D. Joyce*

Paul D. Joyce, CPA  
State Examiner

April 10, 2019

INDIANA VETERANS' AFFAIRS COMMISSION AND  
INDIANA DEPARTMENT OF VETERANS' AFFAIRS  
RESULTS AND COMMENTS

**BACKGROUND**

On April 14, 2015, a Memorandum of Understanding (MOU) between the Indiana Family and Social Services Administration (FSSA) and the Indiana Department of Veterans' Affairs (IDVA) was signed. The purpose of the MOU was to provide federal Temporary Assistance to Needy Families (TANF) funding of \$2,000,000 to the IDVA to provide counseling and employment/training assistances to military veterans and their families. The original MOU was signed on April 14, 2015, commenced on April 1, 2015, and remained in effect through September 30, 2016. The original MOU was amended three times.

- Amendment 1, signed by the FSSA and the IDVA on October 8, 2015 - added an additional training program.
- Amendment 2, signed by the FSSA and the IDVA on September 27, 2016 - commenced on October 1, 2016, and remained in effect through September 30, 2017, added an additional \$3,350,000 to the funding, made changes to eligible employment/training services, including the addition of childcare while attending training or looking for meaningful employment.
- Amendment 3, signed by the FSSA and the IDVA on September 26, 2017 - extended the term through June 30, 2018.

TANF is a federal grant that requires compliance with federal regulations. The governing regulations for states are those in 45 CFR parts 75, 92, and 260-265.

45 CFR 260.20 states:

"The TANF program has the following four purposes:

- (a) Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- (b) End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
- (c) Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
- (d) Encourage the formation and maintenance of two-parent families."

The original MOU provided for the following services to meet the TANF purpose:

- Marriage and non-medical counseling focused on individuals and families in need of services under purpose (d) above, "Encourage the formation and maintenance of two-parent families."
- Job placement and training services under purpose (b) above, "End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage." Per the MOU, in order to be eligible for this service, applicants must fall below 250 percent of the poverty level, and be a parent/caretaker for a dependent child.

INDIANA VETERANS' AFFAIRS COMMISSION AND  
INDIANA DEPARTMENT OF VETERANS' AFFAIRS  
RESULTS AND COMMENTS  
(Continued)

- Amendment 2 of the MOU added childcare to all approved applicants to attend training classes and search for meaningful employment.

Additionally, the original MOU allowed \$150,000 to be used for administrative purposes that includes employees, outreach, and travel. Amendment 2 increased the amount to \$400,000.

***INTERNAL CONTROLS OVER TANF EXPENDITURES***

The IDVA did not have internal controls in place to ensure the federal TANF funding provided to IDVA, through an MOU with FSSA, was spent in accordance with federal TANF regulations and the MOU described in the *BACKGROUND* comment above. The following deficiencies were identified during the review:

- Applications for assistance were processed and approved by the same individual.
- Invoices submitted for payment were not compared to the approved services per the application.
- Policies and procedures were not in place to instruct employees that application files and invoices should contain adequate documentation to support the services that were provided met the requirements of the MOU and TANF program.

The Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview--General Guidelines & Policy Part IV states in part:

"Each agency, department, quasi, institution, or office has the following accounting responsibilities:

- Operate within the confines of the established budget.
- Maintain an adequate internal control environment.
- Maintain adequate internal control procedures.
- Properly utilize the state accounting system as prescribed by the ENCOMPASS Steering Committee.
- Maintain an effective and accurate accounting system for necessary subsidiary and supplementary records.
- Maintain, and make available for audit, documentation supporting the validity and accountability of monies received or disbursed.
- Perform duties in accordance with statute, regulations, state policy, contract provisions, and federal requirements as applicable.

INDIANA VETERANS' AFFAIRS COMMISSION AND  
INDIANA DEPARTMENT OF VETERANS' AFFAIRS  
RESULTS AND COMMENTS  
(Continued)

Each agency, department, quasi, institution or office should have internal controls in effect to provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements' objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and forms of information processing are part of an internal control system.

Controls over the receiving, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements, and incorrect decision making. An Agency's control environment consists of the overall attitude, awareness and actions of management and the governing board or commission. This would include establishing and monitoring policies for developing and modifying accounting systems and control procedures.

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, etc., must be made available for audit to provide supporting information for the validity and accountability of monies received or disbursed. Documents must be filed in such a manner as to be readily retrievable or otherwise reasonably obtainable, upon request, during an audit.

Each agency, department, quasi, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standard setting bodies and also with various accounting guides, manuals and other publications.

Every governmental unit is required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies. This includes opinions of the Attorney General of the State of Indiana and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance with these requirements may require corrective action by the governmental unit and follow up by a federal or state agency."

#### **QUESTIONED COSTS**

Fifty-eight paid vouchers out of five thousand one hundred eighty-one total paid vouchers were originally selected to test. The paid vouchers were not randomly selected. Paid vouchers were selected based on vendor name and date paid.

The breakdown is as follows:

- Nine vendors whose name appeared to be for childcare and the payment date was prior to October 1, 2016. This is the date in which MOU amendment 2 allowed childcare services.
- Four vendors whose name appeared likely to be a vendor for supplies.
- Twenty vouchers paid to Guidesoft, who is the State's contractor for employment services.
- Twenty-five from all others.

For each paid voucher selected, the IDVA was asked to provide supporting documentation of the applicant's eligibility, invoices to support the amount paid, and documentation to support how the expense met the purpose of TANF program.

INDIANA VETERANS' AFFAIRS COMMISSION AND  
INDIANA DEPARTMENT OF VETERANS' AFFAIRS  
RESULTS AND COMMENTS  
(Continued)

Based upon review of the application and service provided, each of the fifty-eight paid vouchers originally selected were categorized as follows:

- Nine - Counseling Services
- Twenty-five - Employment/Training Services, including childcare
- Twenty-four - Administrative Services

***Counseling Services***

Of the nine paid vouchers originally selected, five did not have documentation available to support the TANF purpose. Thirteen additional paid vouchers were selected to test. We selected the same or similar vendors in which the errors were found. Of the total twenty-two paid vouchers (nine original plus thirteen additional) for counseling services tested:

- Four were for therapy services provided to dependent children. Services consisted of speech therapy and tutoring. No documentation was provided to show how these services supported TANF purpose (d). Total amount paid was \$2,326.25 and was considered questioned costs.
- One was for counseling services provided to the applicant's underage niece who was living with the applicant. No documentation was provided to show how these services supported TANF purpose (d). Total amount paid was \$110 and was considered questioned costs.
- One was for counseling services provided to a child who the applicant had legal guardianship of. No documentation was provided to show how these services supported TANF purpose (d). Total amount was \$100 and was considered questioned costs.
- Three were for separate couples retreats at the French Lick Resort. These three couples retreats were Warrior to Soul Mate programs offered through the U.S. Department of Veterans Affairs. The curriculum and counselors are provided by the U.S. Department of Veterans Affairs, the IDVA paid for the cost of the counselors' room and meals while in attendance. Additionally, the IDVA paid for the cost to rent conference room and audio/visual equipment, and the couples' room and meals. Total amount paid for the three retreats was \$15,776.56 for fourteen couples, \$15,802.59 for fourteen couples, and \$13,293.57 for ten couples. The following were considered questioned costs:
  - The first retreat included thirteen applicants for which no documentation was provided to support the reason the service was needed. The total amount attributed to the thirteen applicants was \$10,826.14 (\$358 room and \$474.78 food and non-alcoholic beverage per couple).
  - The second retreat included nine applicants for which no documentation was provided to support the reason the service was needed. The total amount attributed to the nine applicants was \$7,597.53 (\$358 room and \$486.17 food and non-alcoholic beverage per couple).

INDIANA VETERANS' AFFAIRS COMMISSION AND  
INDIANA DEPARTMENT OF VETERANS' AFFAIRS  
RESULTS AND COMMENTS  
(Continued)

- The third retreat included two applicants for which no documentation was provided to support the reason service was needed. The total amount attributed was \$2,084.52 (\$358 room and \$684.26 food and non-alcoholic beverage per couple).
- One was a couples retreat at Oakwood Resort. This is also a Warrior to Soul Mate program offered through the U.S. Department of Veterans Affairs. The curriculum and counselors are provided by the U.S. Department of Veterans Affairs, the IDVA paid for the cost of the counselors' room and meals while in attendance. Additionally, the IDVA paid for the cost to rent conference room and audio/visual equipment, and the couples' room and meals. Total amount paid was \$7,756.40 for fourteen couples. No documentation was provided for eleven applicants to support the reason the service was needed. Total amount attributed to the eleven applicants was \$4,052.18 (\$178 room and \$190.38 food and non-alcoholic beverage per couple) and was considered questioned costs.
- One was for a family retreat at Bradford Woods. This is a program administered by Indiana University School of Public Health that aims to enhance resiliency through family to family support through shared recreational therapy experiences in a weekend retreat format. Total amount paid was \$3,375 for three families to attend. No documentation was provided for two of the families to support the reason the service was needed. Total amount attributed to the two families was for \$2,250 (\$1,125 per family) and was considered questioned costs.

Of the twenty-two paid vouchers selected for testing, eleven, as indicated above, were considered federal questioned cost and MOU questioned costs, which totaled \$29,346.62.

#### ***Employment/Training Services***

Of the original twenty-five paid vouchers selected to test, eight were for education/training and seventeen were for childcare. No errors were identified for the eight education/training paid vouchers.

Fifteen of the seventeen childcare paid vouchers lacked documentation to support the childcare was provided while the applicant attended training classes, or looked for meaningful employment as required by Amendment 2 of the MOU. In addition to the original seventeen paid vouchers tested, two additional vouchers paid to vendors, who appeared to be in the childcare business, were selected to test. We also selected three applicants that were part of the questioned costs identified in the counseling section above. We requested all paid vouchers associated with these applicants. A total of one hundred fourteen paid vouchers associated to these three applicants were provided.

In total, one hundred and thirty-three paid vouchers (seventeen original plus one hundred sixteen additional) for childcare services, totaling \$57,623.30 were tested. These paid vouchers were for services provided to thirty applicants. Of the one hundred and thirty-three paid vouchers, only two had documentation to support that childcare was received while the applicant attended training classes. There was no documentation provided to support that the other one hundred and thirty-one paid vouchers were made on behalf of applicants that needed the childcare service to attend training classes, or search for meaningful employment, as required by Amendment 2 of the MOU. The one hundred and thirty-one paid vouchers totaled \$56,269.30.

Sixty-seven of the one hundred thirty-one paid vouchers were for services dated prior to Amendment 2 of the MOU that added childcare as an allowable service. Total amount of the sixty-seven paid vouchers was \$27,600.20. This amount is part of the above noted \$56,269.30.

INDIANA VETERANS' AFFAIRS COMMISSION AND  
INDIANA DEPARTMENT OF VETERANS' AFFAIRS  
RESULTS AND COMMENTS  
(Continued)

Childcare is a federally accepted service to support TANF purpose (b); however, it was not allowed per the MOU prior to October 1, 2016, and then only when in job training or while searching for meaningful employment. The total amount of \$56,269.30 for the one hundred and thirty-one payments selected for testing is not considered a federal questioned cost, but a questioned cost based on the MOU only.

***Salaries and Administrative Services***

The IDVA contracts with GuideSoft to provide temporary contracted employment services. Twenty paid vouchers to Guidesoft were tested. The IDVA was unable to provide any supporting documentation to show 100 percent of the hours worked were for TANF purposes. Further follow up with the IDVA indicated support would not be available for any payments to Guidesoft for the MOU period. In total, \$683,425.35 of TANF funding was used to pay GuideSoft during the MOU period. Documentation was not provided to support that the employment services were 100 percent TANF related.

Federal regulations (2 CFR § 200.430(i)) require salaries and wages charged to federal awards to be based on records that accurately reflect the work performed.

Additionally, we selected four payments for supplies. Documentation was not provided to support that the supplies were used 100 percent for the TANF program. Total amount paid was \$5,488.62.

Federal regulations (2 CFR § 200.403(g)) require cost charged to federal awards to be adequately documented. The \$688,913.97 paid for employment services and supplies is considered to be federal and MOU questioned costs.

***Total Questioned Costs***

<b>SERVICE</b>	<b>FEDERAL AND MEMORANDUM OF UNDERSTANDING</b>	<b>MEMORANDUM OF UNDERSTANDING ONLY</b>
Counseling	\$ 29,346.62	\$ -
Salaries and Administration	688,913.97	-
Childcare	-	56,269.30
<b>Total Questioned Costs</b>	<b>\$ 718,260.59</b>	<b>\$ 56,269.30</b>

INDIANA VETERANS' AFFAIRS COMMISSION AND  
INDIANA DEPARTMENT OF VETERANS' AFFAIRS  
RESULTS AND COMMENTS  
(Continued)

The Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 6 Accounting for Expenses, Expenditures states in part:

"Unlike funds controlled by private business, the spending of public funds is restricted by law to impose a high level of accountability on public officials approving these expenditures. Payment of unallowable costs from public funds may be the obligation of the responsible official or employee.

Officials and employees who are accountable for the expenditure of public funds must exercise due diligence to assure that all such payments are in the taxpayer's interest. The following is a list, not necessarily complete, of unacceptable payments from public funds:

- Personal items.
- Items not related to the functions and purposes of the unit.
- Alcoholic beverages.
- Duplicate payments or overpayments.
- Personal long distance telephone calls (should not be billed to state network).
- Personal cellular telephone calls that cause the unit to maintain a calling plan in excess of business needs.
- Personal cellular calls not in compliance with the Information Resources Use Agreement, which provides for de-minimis personal use.
- Personal use of state debit or credit cards or SDO checks.
- Personal use of state automobile, unless allowed by specific regulation."

# STATE OF INDIANA

DEPARTMENT OF VETERANS' AFFAIRS  
302 WEST WASHINGTON STREET ROOM E120  
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Eric J. Holcomb, Governor  
Dennis Wimer, Director

Mr. Paul Joyce,

The Indiana Veterans' Affairs Commission (IVAC) and the Indiana Department of Veterans' Affairs (IDVA) appreciate the work accomplished by the State Board of Accounts (SBOA) audit team during the recent compliance review.

The partnership and Memorandum of Understanding (MOU) between the Indiana Family and Social Service Administration (FSSA) and the IDVA to provide federal Temporary Assistance to Needy Families (TANF) funding to IDVA ended on June 30, 2018. As such, IDVA is unable to implement corrections that will benefit the program.

In the past few months, however, at my direction IDVA has already started the process to create and implement the necessary policies and procedures to provide internal controls for current and future operations. Additionally, IDVA has started implementing additional time reporting requirements for all state and contracted staff. These requirements will allow IDVA leadership the ability to monitor and evaluate the amount of staff hours spent on each program. As part of the resolution to this audit, IDVA and IVAC will partner with FSSA to determine the most appropriate resolution to all questioned costs.

The IVAC and IDVA thank the SBOA for their work to help improve the implementation of programs that help veterans in Indiana. We are committed to building the trust and confidence in both the IVAC and IDVA and we believe this can only be done in the open and full light of day. We will continue to be fully transparent in our actions and programs to help Indiana veterans.

Sincerely,

A handwritten signature in black ink that reads "Dennis A. Wimer".

Dennis A. Wimer  
Director  
Indiana Department of Veterans' Affairs

A handwritten signature in blue ink that reads "Erika C. Steuterman".

Erika C. Steuterman, Maj Gen (Ret)  
Chairman  
Indiana Veterans' Affairs Commission

INDIANA VETERANS' AFFAIRS COMMISSION AND  
INDIANA DEPARTMENT OF VETERANS' AFFAIRS  
EXIT CONFERENCE

The contents of this report were discussed on April 10, 2019, with Dennis Wimer, Director of the Indiana Department of Veterans' Affairs, and Erika Steuterman, Chairperson of the Indiana Veterans' Affairs Commission.